

[REDACTED]
Copy No. 17CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE
20 July 1954

TO: Deputy Director (Intelligence)

SUBJECT: Peiping's Rubber Purchases Designed to Disturb
US Relations in Asia

25X1 [REDACTED] For the past year and a half [REDACTED] 25X1
[REDACTED] heavy Chinese Communist rubber buying, partly on behalf
of other Orbit countries, was primarily for the purpose of
inciting Asian governments to ignore the UN embargo and incur
US disapproval.

25X1 [REDACTED] in late 1952 providing for deliveries of 50,000 tons of rubber
a year, which is ample for China's own needs, Peiping made a
one-shot purchase of 3,500 tons of rubber [REDACTED] 25X1
[REDACTED]

25X1 [REDACTED] the view is general that the United States
manipulates the rubber market for its own purposes. When the
high prices that prevailed during the Korean fighting dropped,
the Communists and other politicians [REDACTED] frequently 25X1
charged that the United States instigated the UN embargo on
China in order to force down rubber prices.

25X1 Current Chinese buying activities [REDACTED] have effec- 25X1
tively exploited this view. A Polish ship has been loading
rubber [REDACTED] the first shipment
of 60,000 tons contracted by Communist China. A press report
alleging that the United States was bringing pressure [REDACTED] 25X1
[REDACTED] to stop the shipment brought forth a spate of charges
against American "economic imperialism."

25X1 Peiping's disruptive buying in Asia appears to be a cal-
culated policy that has the support and co-operation of the
rest of the Orbit. Communist China could have bought rubber
cheaply last year through the USSR, which failed to buy the
quota of rubber allowed it by the West. In fact, however,
Peiping bought heavily at prices 50 percent higher than paid
by the USSR, and for over a year has been buying not only for
its own needs but for the USSR and some Satellites as well.

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The USSR could have bought enough rubber for both its own and Peiping's needs last year. If it had, the Orbit would have saved \$15,000,000--the premium Peiping has had to pay to persuade Asian countries to ignore the UN embargo.



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Although China's own rubber industry has been expanding it uses only 6,000 to 7,000 metric tons a year in the manufacture of 400,000 motor vehicle tires. More rubber is used to make rubber shoes than for any other use in China. Total annual requirements in China have been estimated at 30,000-50,000 metric tons, with the odds now being on the lower figure, in view of the domestic austerity program. Stockpiles in China have probably been large due to the purchase of about 140,000 metric tons following the outbreak of the Korean war in mid-1950 and before the May 1951 UN-sponsored embargo temporarily cut off supplies.

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